



Executive Education
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'In Touch With The Board'



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Academic Director, Centre for Corporate Governance



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Director of Executive Education & Professor of Marketing
UCD Smurfit School



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'In Touch With The Board'

Tuesday May 10th 2011

Presenter: Prof. Niamh Brennan
Moderator: Prof. Damien McLoughlin



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AGENDA

- Discussion on the new guidelines on effective boards recently published by the Financial Reporting Council
- Examination of their application in practice by reference to the detailed activity and interactions taking place at board meetings.

25 minutes

- **Questions and Answers** 15 minutes

Centre for Corporate Governance at UCD

(www.corporategovernance.ie)

- Established February 2002
- 1. Training for company directors
 - a. Director Development Programme – short courses on various aspects of corporate governance
 - b. In-house, customised courses for individual company boards
 - c. Diploma in Corporate Governance
- 2. Promote research in corporate governance



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CONTEXT

A [non-executive director] should have

- The mathematical ability of George Boole to figure out a complex balance sheet
- The interviewing skills of a Vincent Browne or Miriam O'Callaghan to get information from tight-lipped chief executive officers
- The resilience and toughness of...Brian O'Driscoll to deal with bruising encounters with recalcitrant [executives]
- Such a person would also have to have 20 years... experience.
- Along with a healthy dose of professional scepticism...
- This supervisory Frankenstein [director] could be quite difficult to find



"Finding skilled supervisors a tough task, says regulator" *Irish Times*,
6 May 2011



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OVERVIEW

1. Board meetings
2. Board meeting agendas
3. Minutes
4. Matters arising
5. Board papers
6. Board discussions
7. My personal bug bears



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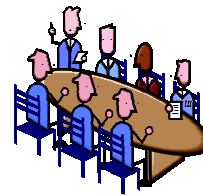
1. Board meetings

- **Why:** Why is the meeting being called?
- **What:** What is the purpose of the meeting? What is it intended to achieve? Is it really necessary?
- **When:** Give adequate notice for the meeting. Meetings schedule (including sub-committee meetings) (with agenda items?) a year in advance?
- **Where:** Boardroom? Company location, Off site? Teleconference? Videoconference?
- **Who:** Board members, managers, experts

Source: Tricker, B. (2009) *Corporate Governance. Principles, Policies and Practices*, Oxford University Press, pp. 285-287)



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1. Board meetings

Preparing for the meeting

- Meeting before the meeting?



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2. Board meeting agendas

- Chairman, assisted by company secretary, sets agenda

(Source: FRC *Guidance on Board Effectiveness*, March 2011, Para 1.6)



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2. Board meeting agendas

Three approaches to agenda design

- Routine approach – pattern as for previous meetings
- Chairman-led
- Professional approach – chairman seeks advice and input from other board members, other relevant parties (e.g., CEO)

(Source: Tricker, B. (2009) *Corporate Governance. Principles, Policies and Practices*, Oxford University Press, pp. 285-287)



Agenda

Item	Chairman	Secretary	Other
1. Chairman's report			
2. Secretary's report			
3. Financial statements			
4. Directors' report			
5. Chairman's report			
6. Chairman's report			
7. Chairman's report			
8. Chairman's report			
9. Chairman's report			
10. Chairman's report			



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2. Board meeting agendas

Lord Caldecote's approach



- What matters should be on the agenda?
- What matters have we not put on the agenda that should be on the agenda?

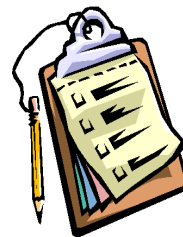
(Source: Tricker, B. (2009) *Corporate Governance. Principles, Policies and Practices*, Oxford University Press, pp. 285-287)



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2. Board meeting agendas

Focus of the agenda



- Strategy
- Company performance
- Value creation
- Accountability
- Decisions that are reserved functions of the board

(Source: FRC *Guidance on Board Effectiveness*, March 2011, Para 1.7)

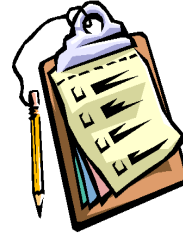


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2. Board meeting agendas

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(Source: FRC *Guidance on Board Effectiveness*, March 2011, Para 1.7)



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2. Board meeting agendas

Effective agenda

- Not overloaded
- Not formulaic
- Enough time for proper discussion and resolution of each issue
- Important items early in the meeting
- Strategic objectives should drive agendas
- Free of irrelevant, immaterial items



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2. Board meeting agendas

Sample agenda

- Minutes
- Matters arising
- Strategic objective 1
- Strategic objective 2
- Strategic objective 3
- Reserved function 1
- Business unit 1
- Any other business
- ➔ Put timings on agenda?



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2. Board meeting agendas

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3. Minutes

- Formal record of the meeting
- Complete record of meeting
- Accurate record of meeting?
- Name contributors?



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3. Minutes

- Circulate minutes of previous meeting
- Read minutes at beginning of meeting?
- Adopt minutes of previous meeting at beginning of meeting
- Members add where item/points left out
- Members amend wording where minutes not clear
- Look for amendments in advance to save meeting time?



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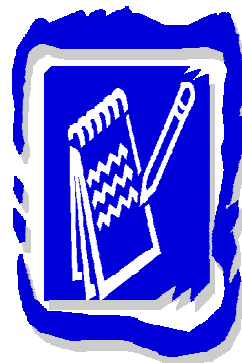
3. Minutes

- **Highly summarised**
versus
- **Verbatim records**



3. Minutes

- **Action column**
- **Initials**



3. Minutes

Principles

- Sufficient information to capture key threads
- Disclose personal interests
- Alternatives considered
- Agreements reached
- Responsibilities for action



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3. Minutes

Bad practice

- Minutes of meetings that did not take place
- Backdating minutes



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4. Matters arising

1. List of action points from previous meeting
2. Identity of person responsible
3. Deadline
4. Meeting(s) at which action point arose
5. Meeting(s) at which action point due back to board
6. **Red, Amber, Green** coding system



4. Matters arising

MATTERS ARISING FOLLOWING FROM THE 187th MEETING OF THE EXECUTIVE BOARD HELD ON

Monday, 5th October, 2009

- = outstanding/overdue
- = in progress
- = completed

On-Going / Outstanding Action Points

NUMBER	MATTERS ARISING FROM MEETING	PERSON IDENTIFIED	DEADLINE	CURRENT STATUS
187 th / 5 th Oct 2009 / 2.4	XXXXXXXXXXXXXXXXXX Some members queried XXXXXXXXXXXXXXXXXXXXXXXXXX XXXXXXXXXXXXXX.	NB	X/X/20XX	On the Agenda for the 191 st Board Meeting 8 th December 2009.

4. Matters arising

Item 2 – 14.02.2008

Outstanding Issues (since September 2006)

Action No.	Date of Meeting	Re.	Details of Action	Person(s) responsible	Deadline	Status



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5. Board papers

- High quality
- In good time
- Not tabled at meeting
- Accurate
- Clear
- Timely
- Comprehensive
- Up-to-Date
- Contain summary of contents of the paper
- Inform directors of what is expected of them

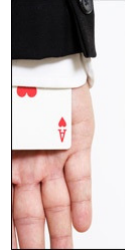
(Source: FRC *Guidance on Board Effectiveness*, March 2011, Para 1.22)



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5. Board papers

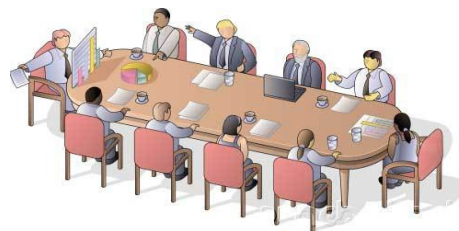
- Information asymmetry problem



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5. Board papers

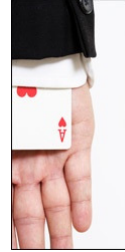
- Gatekeepers of information



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5. Board papers

- Information asymmetry problem



5. Board papers

- Weasel words
- Constructive ambiguity
- Mental reservations



5. Board papers

Weasel Words and Information to Boards

- Information on bank staff bonuses “Misleading and incorrect”
- “Erroneous information”
- Did not take account of contractual bonuses which included a performance element

(Source: BoI boss admits information given to Dáil was wrong, *Sunday Business Post*, 16 January 2011)



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5. Board papers

One page front sheet/summary

- Standard template?
- Title of paper
- Purpose of paper – For information? For decision? Response to adverse event
- If for decision, what decision? (Include wording of requested board resolution?)
- Management recommendation
- Author
- Date paper written
- Meeting date at which paper is to be tabled
- Brief summary

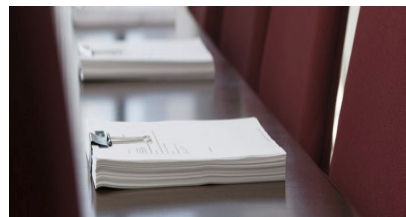


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5. Board papers

The paper itself - Principles

- What are your key messages/takeaways (no more than 5)
- Are the key messages clear to the reader (get others to read the paper and comment, before submitting to the board)
- Don't assume directors know more than they do

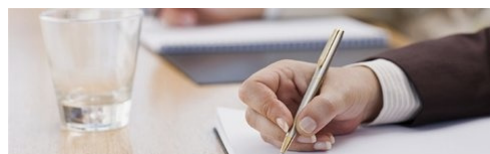


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5. Board papers

The paper itself – Content

- What is the context for the paper?
- Aide memoire of previous papers to board on the topic
- Requests for funding require rigor to get board buy-in
- Are statements in paper supported by hard data?
Reliable evidence?
- Are assumptions clear, realistic, reliable? Can you stand over the assumptions?



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5. Board papers



The paper itself – Strategic fit

- How does your paper fit the overall strategic plan (starting point?)
- How does your project fit / integrate with other projects in the business
- What are the firm's key performance indicators?
- How will your project contribute to the key performance indicators?



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6. Board discussions

- Open/closed
- Ritualistic; formulaic
- Formal/informal
- Challenging



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7. Personal bugbears

- Laptops/notebooks/iPads
- Mobile phones



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Questions and Answers





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Upcoming Events & Programmes

Director Development Programme for 2011 - May 17th

Decision Making by Boards: Process, Behavioural and Cognitive Considerations with Professor Niamh Brennan & Dr. Karan Sonpar

In theory, boards of directors are the key decision makers in companies. In practice, do boards live up to this expectation? This short course examines board processes, and behavioural and cognitive influences, that make the difference between effective and non-effective decision making at the level of boards.

Date: Tuesday May 17th 2011
Time: 08:00- 10.30am
Venue: Newman House, 85-86 St. Stephen's Green, Dublin 2.
Price: UCD Alumni: €85 Non-Alumni €105

TO BOOK YOUR PLACE TELEPHONE 01 7168889 or email exec.ed@ucd.ie



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Upcoming Events & Programmes

The **Diploma in Corporate Governance** provides directors and potential directors with an accredited programme leading to a UCD qualification in corporate governance.

Duration: 1 year
Schedule: Part time
Starting: September 2011
Fees: €14,000
Programme Director: Prof. Niamh Brennan

**For applications please contact Liz Knight, Programme Manager
liz.knight@ucd.ie or telephone (01) 716 8801**